e-dinar

What is e-dinar?

e-dinar is an exchange system enabling the electronic transfer of gold and silver between accounts. e-dinar and e-dirham are 100% backed by physical gold and silver.

A quantity of e-dinar / e-dirham constitutes title to a precise weight of this physical gold/silver. e-dinar FZ-LLC is a Dubai Corporation which operates the e-dinar system.

The primary function of the e-dinar system is to render payments, in gold (e-dinar) and silver (e-dirham), from one customer account to another. A secure, convenient interface is provided for customer entry of transaction orders. All cleared transactions entail an increment or decrement of one's e-dinar / e-dirham balance.

The system calculates exactly how much metal belongs to each particular customer.

All gold and silver is held free of lien or encumbrance. e-dinar does not engage in future contracts or any form of leveraged derivatives.

No physical gold/silver is listed unless e-dinar



Dr. Zeno Dahinden, CEO of e-dinar, (far right) at dinner with Dr. Tun Mohamed Mahathir in Istanbul, spring 2007.

has rendered payment for it.

(Q) When was the original e-dinar company founded?

We founded the original e-dinar company in August 2000 in Labuan, Malaysia.

(Q) Why did you found the original e-dinar company in Malaysia?

The incorporation was purposely timed to precede a large e-dinar conference at the Islamic Arts Museum Malaysia (IAMM) in Kuala Lumpur, November 2000. At that event, both Dr. Tun Mohamed Mahathir (at that time PM of MA) and his successor Datuk Seri Abdullah Ahmad Badawi (the current PM of MA) received complementary sets of gold dinars and opened their e-dinar accounts publicly on stage. They were among the very first and most illustrious e-dinar account holders.

As you probably know, we 'converted' Dr. Mahathir in the late nineties to become an outspoken champion of the gold dinar which he remains to this day. Being the visionary he is, he transcended the use of gold from reserve currency and coins to international trade - well understanding that the importance of nation states will continue to decline in favor of global trade.

While he publicly advised the Saudis to accept only gold in exchange for oil, he championed the idea of using gold for the settlement of international trade between OIC countries (Organization of Islamic Countries). International trade would thus be accounted for in gold and would be regularly netted against national gold reserves. As a result of each settlement, gold would move physically between countries.

James Turk from GoldMoney shares a similar view when he says that 'gold's principal use in the coming years will be in cross-border commerce, and principally by companies rather than individuals'. We could not agree more.

(Q) When and why did you mint the first gold dinars?

We actually started to mint the first gold dinars and silver dirhams in 1992, at that time still hammered by hand....

(A silver dirham from the first batch in 1992)



People often asked us why we would 'go back to the Middle Ages' by issuing a gold and silver currency, in their view a barbaric relic? Our answer in short:

1. *to offer people real value rather than a promise-to-pay*
2. *to help prepare the grounds for renewed monetary discipline in the face of impending financial collapse, e.g. through the 'subprime' fall-out*

Let me explain: the termination of the Bretton-Woods-Agreement by President Nixon in 1971 represented the end of gold's traditional role as reserve currency. The obvious reason for this step was to liberate money creation from the constraining 'shackles' of gold thus allowing central banks to create an unlimited amount of new money out of nothing (paper money is actually created from debt – since debt is an obligation and not a value, new money draws its value from existing money and thereby devalues the currency and creates inflation).

The obvious results were exorbitant interest

rates in the US (well above 15% by 1980) and an unprecedented Bull Run in gold (from 44 USD in 1971 to 850 USD per oz by 1980).

The sudden availability of ‘unlimited’ liquidity also gave rise to what we call today globalization which feeds off unlimited capital. Globalization started with an unprecedented wave of corporate takeovers in the early eighties (the junk bond era) and is increasingly threatening the ethical and moral basis of the human contract through an extreme form of transnational capitalism which is beyond the control of national laws and regulations - what Loretta Napoleoni refers to in her inspiring book ‘Rogue Economics’ as the transmutation of nation states into market states (Seven Stories Press, NY, 2008).

To summarize:

- *Our aim is to put real value back into the hands of the people and rather than letting it accumulate in the hands of a very few.*
- *Our ambition is to help set-up an alternative to today’s out-of-control monetary systems.*

(Q) Besides yourself, were there any other original founders of e-dinar?

Apart from myself, the original team included Dato Abdul Rahman Shariff, a Malay business man who helped establish the relationship with the Malay government and Fernando Vadillo who laid the conceptual basis for the gold dinar.

(Q) What type of partnership did the company form with e-gold around 2000?

We made first contact with Douglas Jackson (CEO of e-gold) in late 1998 and were fascinated with the prospect of complementing our physical bi-metallic currency with a digital gold currency (DGC). I then visited Doug Jackson in Florida in 1999 where we hammered out a unique agreement whereby e-dinar became a self-contained front-end sitting on top of the e-gold database. As part of this agreement, the head of our software team was invited to work with the e-gold team in Florida.

To my knowledge, nobody else was ever granted such an ‘intimate’ relationship with e-gold.

(Q) There seems to be some hint of an ‘unknown international corporation’ from the Middle East purchasing a large position in the e-dinar company near the end of 2003. Can you give us any more details on this purchase, such as what company and what is their participation in the operation?

The partner company is an international real estate developer with offices in Dubai and other Middle Eastern countries. The main contribution of the partner company is to open Saudi Arabia for e-dinar where they own prime properties in Mecca and Medina – key places to promote the gold dinar to millions of pilgrims passing through every year.

As a result of this partnership, we founded a new e-dinar company in Dubai Internet City (DIC) with an onshore Trade license which I manage as CEO and in which I continue to hold a controlling interest.

(Q) When did the company formally separate from e-gold and what were the reasons for the separation?

We amiably separated from e-gold at the end of 2004. The main reason for the separation was our growing realization that, while having learned a lot from e-gold, our continued dependence on e-gold’s backend database and processes (e.g. bullion purchase and storage) was preventing us from reaching our full potential. And the longer we waited, the more customers we would loose during the separation.

To enable the separation, we developed our own backend software and established our own bullion procurement and storage processes. Today, we operate as follows:
<u>Bullion purchase and dinar/dirham mint</u>:
Emirates Gold in Dubai
<u>Bullion storage</u>:
Emirates Gold in Dubai and Embraport in Switzerland
<u>Transport</u>: **VIA MAT Securitas in Switzerland**
<u>Custom orders (custom bars, medallions)</u>:
Emirates Gold (e.g. State Opera; Berlin Philharmonics)



The owner and CEO of Emirates Gold, Mohamed Shakarchi, is a close personal friend, whom I have known for well over 10 years. Since I am Swiss, it probably helps that Mr. Shakarchi lived 25 years in Switzerland, at that time the owner and CEO of Shakarchi Trading.

Even though I could never identify with certain aspects of e-gold's business model (e.g. their support of HYIP schemes and online gambling sites which we do not allow in e-dinar), I admire Doug Jackson as a true pioneer of DGC. With the exception of James Turk from GoldMoney, almost all DGC players have modeled their operations based on Doug's ideas and concepts.

(Q) Are any of the customer online transactions reversible?

Online transactions (spends) are not reversible. Once the transaction is complete, the sender cannot undo it.

(Q) What are your transaction fees in comparison to credit cards or PayPal?

Transaction fees are 1% of the transferred amount, but not more than 0.015 e-dinar (~ 1.90 USD) for transactions in gold or 0.5 e-dirham (~ 0.88 USD) for transactions in silver. This represents only a fraction of the fees charged by credit cards or PayPal.

(Q) Every e-dinar account holds two balances, an e-dinar balance (gold) and an e-dirham balance (silver). I'm going to assume that the e-dinar(gold) is the most popular with customers, do many users transact in silver e-dirham?

Your assumption was certainly true until we added silver on request by one of our largest customers some two years ago. Since then, silver has really taken off and we buy in a typical month up to one ton of silver and growing. In our opinion, silver is still substantially under priced as compared to gold. On the downside, the silver market is much smaller than the gold market and thus lends itself more easily to manipulation by a small number of large traders.

In recent months, we observe a growing number of clients who add a silver balance to their account and use it for payments.

(Q) Does the value of an e-dinar or e-dirham account move up or down with the prices of gold and silver?

Yes, it moves proportionally to the price of gold and silver. When funding an account with e-dinar or e-dirham, the customer buys physical gold or silver. Thus the account balance is recorded in gold and silver (by weight). All other currencies which are displayed in the account balance fluctuate with changes in the gold and silver prices.

(Q) I like to keep the bulk of my personal funds in digital gold accounts, but occasionally I need a fast wire out to pay for something, if I

have a gold balance in my e-dinar account and need to send a wire to a friend in the UK, can I sell my gold and direct the wire payment to him?



You can certainly do that. But please let me qualify my statement. One of the ways that we are different from other DGC systems is that e-dinar is for the time being used primarily as a store-of-value rather than a payment system (this is to some extend intentional). As a result, most out-exchanges go back to the bank account the funds originally came from. If third-party out-exchanges occur (> 1000 USD), we first request an explanation for the reason of payment before releasing it.

This is done to prevent money laundering at its root:

- We do not allow third party in-exchanges into e-dinar accounts. In other words, in-exchanges are only accepted from the e-dinar account holder. We have in the past returned third-party in-exchanges for that reason.
- We carefully track and monitor the comparatively small number of third-party out-exchanges

(Q) Does e-dinar have established mints in the United Arab Emirates or Indonesia?

We do most of our minting with Emirates Gold in Dubai. We have some local minting operations in Indonesia and are looking for ways to mint silver dirhams in Malaysia to avoid import and custom duties on silver.

(Q) Can you say that the e-dinar system is free from any financial or counter party risk like those associated with the banking industry?

Yes, absolutely. Since we always have more bullion in stock than we have in circulation, there are no financial counter party risks.

(Q) Regarding compliance, I know that e-dinar is not a bank however your customer identification and AML rules are very strict (verified customer name & address and source of funds required)

You are right, we are quite strict both in our Customer Acceptance Policy as well as our transaction control with regard to third-party transactions. This is to discourage unwanted elements before they enter the system which we have successfully done. We incidentally modeled our Customer Acceptance Policy based on GoldMoney's policy which is among the strictest in the industry.

Even though our Customer Acceptance Policy slows down the growth in new accounts, our key customers appreciate the strict controls we have in place and thus feel more secure given our tight control of operational risk. Operational risk is incidentally at the core of the new Basel II regulations from the BIS (Bank of International Settlement).

(Q) Why Dubai and what are the advantages of being located in Dubai?

Dubai is where the action is. Today, Dubai is the key business and trade hub for the Middle East, the Subcontinent and South-East Asia.

The main advantages of being in Dubai are:

- ***Centre of bullion trade for the Middle East and Asia (Dubai is also called the 'City of Gold')***
- ***Excellent security and governance of bullion trade (the expropriation that occurred in the US during the depression would be unthinkable in Dubai)***
- ***Very business friendly allowing 100% foreign ownership***
- ***Ideally situated for our target groups both through its trade hub function as well as its***

- ***time zone (e.g. 80% of the East-West trade passes through Dubai)***
- ***No VAT or income taxes***

(Q) Regarding financial compliance, what jurisdiction's regulation does e-dinar follow?

e-dinar follows UAE Financial Regulations. Even though e-dinar is not a bank, we require full compliance with key UAE (United Arab Emirates) financial regulations to:

- ***prevent any kind of criminal behavior or wrong doing***
- ***best protect the long-term interests of our customers***
- ***avoid potential business disruption as a result of regulatory compliance issues***

(Q) As a new account holder, am I required to send you certified copies of my proper legal identification before wiring funds to my e-dinar account?

Yes, absolutely. As a matter of fact, we do not publish our bank details on the e-dinar website.



You therefore have no choice except to go through our Customer Acceptance Process as follows:

All e-dinar customers must - in addition to their contact information entered online - send us a certified photocopy of their passport or ID card before we release our bank contact details to them.

Small account holders who plan to buy less than 1000 USD in total gold and silver can scan and email their certified copies of passport or ID card. Large account holders who plan to buy more than 1000 USD in total gold and silver need to send their certified copies by postal mail.

(Q) May I ask approximately how many account holders are currently in the e-dinar system?

Out of approximately 9000 customer accounts in total, we have roughly 6000 active accounts, i.e. accounts with a gold or silver balance.

(Q) Can you offer us any stats on how much gold or silver is currently on deposit backing the electronic units?

At present, we do not publish figures on total bullion in storage. What I can tell you is that roughly 45% of all in-exchanges remain in long-term bullion storage under the custody of e-dinar while 55% are, within one year of deposit, out-exchanged or for the most part redeemed in gold dinars and silver dirhams, bullion bars and sometimes custom medallions

(Q) If my online account contains 10 e-dinar and 10 e-dirham, can I redeem the electronic version into actual gold dinar and silver dirham and have your shop send them to me?

While one electronic e-dinar corresponds to one physical gold dinar, one physical silver dirham costs approximately 30% more than an electronic e-dirham (due to proportionally higher minting costs). We will naturally send your dinars and dirhams to your postal address (additional shipping and handling fees apply).

Smaller orders can occur through our web store and be sent by postal mail while larger orders should go through e-dinar and will be delivered by VIA MAT Securitas. If you do not have gold in your e-dinar account, you can pay your web store balance via bank transfer.

(Q) Can you tell us, are the majority of e-dinar online accounts used by individuals, merchants and/or companies for online commerce?

Most of our accounts are held by individuals. Over the last two years, we have begun to build up a









small but growing number of large merchant accounts, some of them in international trade and the bullion and coin business.

In addition, we have been awarded a contract with the Malay Opposition Party to supply them with gold dinars and silver dirhams as well as DGC services. Since their recent victory in four states, they plan to expand their Ar-Rahn gold dinar outlets from currently 11 to 100.
(ref. http://www.e-dinar.com/html/img/kelantan.jpg)

Excerpt from Wikipedia: On the 20th of September, Kelantan became the first state to launch gold dinar coins. It features the Kelantanese state crest, the date of production, as well as the weight and purity of the gold used on its face. The DEK is similar to the original dinar in weight and purity of gold used. The coins can be bought and sold at the Kelantan Corporation Bhd (Perbadanan Kelantan Bhd) and all eight Ar-Rahn Islamic pawnshops in the state.

(Q) How is the value in a user's account displayed? What denomination?

As mentioned before, our accounts are measured in weights of gold and silver. The gold balance is displayed in e-dinar (1 e-dinar = 4.25 grams of 24 carat gold), in ounces and in grams of 24 carat gold. For silver, the balance is displayed in e-dirham (1 e-dirham = 3 grams of 999 silver), in ounces and in grams of 999 silver. Both gold and silver balances are also displayed in USD, EUR, AED, CHF and JPY.

(Q) I'm sure you are aware of the legal issues involving e-gold right now, do you have an opinion or any comment on that situation?

Even though e-gold might have been somewhat lax with Customer Acceptance and the type of businesses they support, I can certainly vouch for Doug Jackson's personal integrity (he never failed me and I could always depend on his word) and I applaud his visionary and pioneering role in the promotion of DGC. I wish him all the best and hope that he will be vindicated once the dust has settled.

(Q) Is it possible to open an e-dinar account, transact business both receipts and spends in e-dinar without any verification of the customer's identity?

All customers of e-dinar must comply with our Customer Acceptance Policy (CAP). This means that every customer must first deliver proof of his or her identity before any transaction can take place.

(Q) Is e-dinar set up to communicate with customers using PGP?

PGP is available as an option. Every customer can provide a PGP key as part of user registration. If the PGP key is present in the customer profile, all communication between the e-dinar system and the customer's email address will be encrypted. This is particularly recommended if the customer is using auto-notification (an account function whereby the system is sending email notifications upon receipt of funds).

(Q) Is there any minimum transaction size on an e-dinar account?

There is no minimum transaction size. e-dinar can be used for micro payments as well as large transactions.

(Q) e-dinar provides a secure merchant interface (for integration into shopping cart software). Is this feature popular with users?

e-dinar offers two interfaces for automation. The merchant interface can be used for integration of e-dinar payments into shopping cart software and the API allows automated access to the account (retrieve account balance, account history, issue automated spends). Both interfaces have several configuration options including callback function and are used by a growing number of customers. Naturally, the merchant interface is the more popular.

(Q) Who is your preferred customer?
Our preferred customers are:

- *individuals who want to keep some of their long-term savings in bullion as protection against inflation*
- *bullion and coin dealers that we supply with bullion, dinars & dirhams and custom products*
- *international trade companies*
- *governments such as the Malay Opposition Party that we supply with DGC services and gold dinars & silver dirhams*

(Q) Do you have a target demographic audience which you would like to attract?

Our demographic target groups are the Middle East and South East Asia, increasingly also China. We hope to attract more companies in international trade as well as government agencies that want to promote the gold dinar.

(Q) Are e-dinar accounts promoted as online savings accounts which offer an alternative to Islamic banking?

Yes, our gold and silver accounts are 100% halal and, in our view, the only acceptable alternative to banking from an Islamic point of view, be it 'Western' or 'Islamic banking'. I see in 'Islamic banking' not much more than an insignificant variation of 'Western' banking and certainly not an acceptable alternative to it. The only difference is in the semantics and the models used to calculate the bank's profit (please note that the biggest Islamic banks are major commercial banks such as HSBC and Citibank). Short of changing the underlying money from paper to gold and silver, 'Islamic banking' cannot possibly be halal.

The only acceptable form of money from an Islamic perspective is gold and silver – there is no doubt about that.

(Q) Does e-dinar do any offline advertising such as newspapers, magazines, signage or television?

With the exception of some newly emerging global magazines, we do not pursue an active advertisement strategy but rather depend on passive marketing through newspapers and TV, particularly in Malaysia and Indonesia.

(Q) Can I fund my e-dinar or withdraw funds through a third party exchange agent?

There are some third party exchangers for e-dinar. Funding accounts directly through e-dinar is naturally more cost effective and probably also safer.

(Q) How does an e-dinar account accrue fees? Is there an annual storage fee or is it based on the amount in the account?

A storage fee of 1% per annum applies to every account. This fee is covering storage and insurance costs. The storage fee is calculated based on the average account balance and is deducted monthly from the account.

(Q) I think the dinar & dirham shop online is



an excellent idea. The operation seems very convenient for users. Do you sell and ship a lot of the gold dinars or silver dirham? How popular are those sales with account holders? Yes to both questions. We do ship a lot of gold dinars and particularly silver dirhams and those sales are very popular with our account holders.

In spite of (or maybe because of?) all the resistance that we have met along the way, the gold dinar and silver dirham are today among the most talked and written about modern ‘coins’. Search in Google under Gold Dinar and Islamic Gold Dinar to verify this for yourself.

I would like to close this interview with another quote from **Loretta Napoleoni (Rogue Economics; Seven Stories Press, NY, 2008; p. 341)**.

After painting an almost apocalyptic picture of the world during the first 340 pages of her book, she goes on to formulate on the last two pages the only realistic alternative she sees to today’s rogue economics as follows:
(freely translated from German)

‘The post-globalization era will require a clear separation between the state and the individual:

- **The state will have a monopoly on foreign and financial politics based on the Shari’a financial model with a new currency standard coupled to gold**
- **The gold dinar will become the overall measure of stability for all other currencies and will find worldwide recognition**
- **Shari’a economics (which forbids the use of money to make money) will regulate all business transactions and will challenge and eliminate the self-serving aspects of rogue economics (such as 500 trillion USD worth of derivatives)**

I would like to thank Dr. Zeno Dahinden for taking the time to answer my questions.

Interview by Mark Herpel